

Charter Township of Fruitport  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

Year ended March 31, 2008

# Charter Township of Fruitport

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As management of the Charter Township of Fruitport, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

Assets of the Township exceeded liabilities at the close of the fiscal year by \$20,253,241 (net assets). Of this amount, \$8,614,491 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$2,229,562 while business-type activities ended the year with \$18,023,679 in total net assets.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories-governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Public Safety Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary Funds.** The Township has two enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Sewer and Water funds, both of which are major funds.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Public Safety Fund.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplemental information on budgetary information.

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2008, the Township's net assets from governmental activities totaled \$2,229,562 (11%) and \$18,023,679 (89%) from business-type activities, creating a total government-wide net assets total of \$20,253,241.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental activities actually depict a balance of \$664,692. This represents the amount of discretionary resources that can be used for general governmental operations.

For governmental activities, the Township built an addition to the Fire Station #1 to house the police department for \$289,792 using current Township resources. This increased capital assets, decreased current assets, and increased net assets invested in capital assets, net of related debt. Current liabilities increased due to a payable outstanding for road improvements at year end.

The business-type activities show a total of \$18,023,679 in net assets and \$7,949,799 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$3,091,403 and \$4,858,396, respectively.

For business-type activities, noncurrent liabilities decreased because the final allocation of the Township's share of the Muskegon County Water Supply System – Number One Bonds, Series II resulted in a reduction of future debt service of \$313,344. Invested in capital assets, net of related debt increased due to new water main and sewer main projects and a reduction in debt caused by regularly scheduled debt payments. Restricted net assets decreased as unspent bond proceeds held at the County in the Water Fund were eliminated.

# Charter Township of Fruitport

## Management's Discussion and Analysis

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets and other assets	\$ 1,448,385	\$ 1,629,328	\$ 8,624,936	\$ 8,735,365	\$ 10,073,321	\$ 10,364,693
Capital assets	1,698,282	1,474,950	14,978,665	14,959,175	16,676,947	16,434,125
Total assets	3,146,667	3,104,278	23,603,601	23,694,540	26,750,268	26,798,818
Current liabilities	325,896	241,508	662,077	502,756	987,973	744,264
Noncurrent liabilities	591,209	649,131	4,917,845	5,575,596	5,509,054	6,224,727
Total liabilities	917,105	890,639	5,579,922	6,078,352	6,497,027	6,968,991
Net assets						
Invested in capital assets, net of related debt	1,124,270	843,208	9,777,034	9,114,859	10,901,304	9,958,067
Restricted	440,600	499,700	296,846	692,178	737,446	1,191,878
Unrestricted	664,692	870,731	7,949,799	7,809,151	8,614,491	8,679,882
Total net assets	\$ 2,229,562	\$ 2,213,639	\$ 18,023,679	\$ 17,616,188	\$ 20,253,241	\$ 19,829,827

### Governmental Activities

Net assets of the Township's governmental activities increased by \$15,923 (less than 1%) during the 2008 fiscal year. The following table shows these results.

Charges for services increased \$130,257 due to new assessments related to road improvements. Property taxes increased \$105,881 due to growth in taxable value. General government expenses decreased \$72,544 as the Township began allocating liability insurance and other expenses to the public safety function. Public safety expenses increased \$168,317 as the police department added personnel to provide needed services to the growing Township, fuel costs increased for both the police and fire department, and liability insurance and other expenses are now being allocated to the public safety function. Public works expenses are up by \$91,619 due to road improvements done on Quarterline and other streets.

### Business-type Activities

At the end of the fiscal year, the net assets for business-type activities increased \$239,658 or 1%. Two funds comprise the business-type activities. The Sewer Fund and Water Fund experienced a decrease in net assets for the year of \$78,800 and an increase in net assets for the year of \$318,458, respectively.

The Township's capital grants and contributions in the business-type activities decreased by \$449,181 due to fewer new connections to the Township's utility systems this year.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues						
Charges for services	\$ 456,490	\$ 326,233	\$ 1,572,955	\$ 1,404,147	\$ 2,029,445	\$ 1,730,380
Capital grants and contributions	2,756	4,405	389,280	838,461	392,036	842,866
General revenues						
Property taxes	1,863,484	1,757,603	-	-	1,863,484	1,757,603
Franchise fees	106,281	79,997	-	-	106,281	79,997
Grants and contributions not restricted	790,342	790,074	-	-	790,342	790,074
Unrestricted investment earnings	54,006	53,155	413,775	425,234	467,781	478,389
Miscellaneous	27,217	12,302	-	11,694	27,217	23,996
Gain on sale of capital assets	-	-	-	2,800	-	2,800
Total revenues	3,300,576	3,023,769	2,376,010	2,682,336	5,676,586	5,706,105

# Charter Township of Fruitport

## Management's Discussion and Analysis

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Expenses:						
General government	\$ 676,794	\$ 749,338	\$ -	\$ -	\$ 676,794	\$ 749,338
Public safety	2,022,866	1,854,549	-	-	2,022,866	1,854,549
Public works	364,246	272,627	-	-	364,246	272,627
Community and economic development	14,414	22,547	-	-	14,414	22,547
Culture and recreation	160,181	192,723	-	-	160,181	192,723
Interest on long term debt	46,152	28,278	-	-	46,152	28,278
Sewer Fund	-	-	602,527	600,529	602,527	600,529
Water Fund	-	-	1,533,825	1,412,306	1,533,825	1,412,306
Total expenses	<u>3,284,653</u>	<u>3,120,062</u>	<u>2,136,352</u>	<u>2,012,835</u>	<u>5,421,005</u>	<u>5,132,897</u>
Change in net assets	15,923	(96,293)	239,658	669,501	255,581	573,208
Net assets - Beginning						
as restated	<u>2,213,639</u>	<u>2,309,932</u>	<u>17,784,021</u>	<u>17,114,520</u>	<u>19,997,660</u>	<u>19,424,452</u>
Net assets - Ending	<u>\$ 2,229,562</u>	<u>\$ 2,213,639</u>	<u>\$ 18,023,679</u>	<u>\$ 17,784,021</u>	<u>\$ 20,253,241</u>	<u>\$ 19,997,660</u>

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2008 fiscal year, the governmental funds reported a combined fund balance of \$1,183,738. This number represents the fund balance of \$796,656 in the General Fund, \$32,851 in the Public Safety Fund and \$354,231 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$23,712, pay for capital projects of \$371, and pay for racetrack projects of \$86,740.



The General Fund is the chief operating fund of the Township. At the end of the fiscal year 2008, the unreserved General Fund fund balance was \$686,204 and the total General Fund fund balance was \$796,656. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures and transfers. Unreserved fund balance represents 32% of the General Fund expenditures and transfers.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net assets of the Sewer Fund and Water Fund decreased by \$78,800 and increased by \$318,458, respectively. The result was an overall net increase in the proprietary funds of \$239,658.

### **General Fund Budget**

During the current fiscal year, the Township made several amendments to its original General Fund budget. The most significant of those is listed below:

- The Township originally budgeted for the purchase of a new fire rescue vehicle in capital outlay, but amended the budget and moved it to transfers out as the Public Safety Fund purchased the vehicle with assistance from the General Fund.

### **Budget Variations**

The following comments summarize the major variations from the final budget to actual revenues and expenditures in the General Fund.

- Property tax revenues were \$627,319, \$32,461 more than budgeted because penalties and interest and administration fees were higher than anticipated.
- Licenses and permit revenues were \$129,959, \$20,459 more than budgeted because cable franchise payments were higher than expected due to a change in the payment schedule.
- Other revenues were \$67,118, \$21,167 less than budgeted because race track break revenues were less than expected because the race track closed during the year.
- Township board expenditures were \$49,121, \$12,179 less than budgeted because professional services were less than expected.
- Treasurer expenditures were \$116,342, \$13,613 less than budgeted because of lower than expected salaries and related benefits.
- Road expenditures were \$30,231, \$12,069 less than budgeted because the Township did some of the new paving work budgeted for in the General Fund in the Revolving Road Fund.
- Bike path expenditures were \$24,679, \$42,021 less than budgeted because the Township elected to defer improvements to future years as it seeks grants to assist with the cost.
- Racetrack expenditures were \$41,441, \$12,588 less than budgeted because the race track closed during the year.
- Transfers out were \$1,037,356, \$16,910 less than budgeted because some transfers to the Recreation Fund were deferred until the following year.

### Capital Assets

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2008 totaled \$16,676,947 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major governmental capital asset events during the current year included the following:

- Addition to Fire Station #1 to house the police department for \$289,792.
- A new police car for \$21,729.
- A new med truck for \$23,944.
- A new generator for \$25,843.
- A new pump for \$25,548.
- Water main improvements on Sternberg, Brooks, Dengl, and Ellis Roads for \$543,216.
- Sewer main improvements on Airline Road for \$168,301.

### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 678,669	\$ 678,669	\$ -	\$ -	\$ 678,669	\$ 678,669
Construction in progress	-	-	761,442	551,597	761,442	551,597
Land improvements	16,766	17,775	-	-	16,766	17,775
Buildings and improvements	610,168	337,024	-	-	610,168	337,024
Furniture and equipment	81,104	91,708	68,486	32,474	149,590	124,182
Vehicles	311,575	349,774	15,080	21,782	326,655	371,556
Utility systems	-	-	14,133,657	14,353,322	14,133,657	14,353,322
Total	<u>\$ 1,698,282</u>	<u>\$ 1,474,950</u>	<u>\$ 14,978,665</u>	<u>\$ 14,959,175</u>	<u>\$ 16,676,947</u>	<u>\$ 16,434,125</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

### Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$6,004,054 consisting of general obligations bonds, special assessment debt, installment purchase agreements, land contract agreements and compensated absences. The special assessment debt of \$955,000 is backed by the full-faith and credit of the Township.

### Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General obligations bonds	\$ -	\$ -	\$ 4,286,079	\$ 4,816,331	\$ 4,286,079	\$ 4,816,331
Special assessment bonds	-	-	955,000	1,065,000	955,000	1,065,000
Installment purchase agreements	141,001	181,526	-	-	141,001	181,526
Land contract agreements	433,011	450,216	-	-	433,011	450,216
Compensated absences	155,197	150,389	33,766	52,265	188,963	202,654
Total	\$ 729,209	\$ 782,131	\$ 5,274,845	\$ 5,933,596	\$ 6,004,054	\$ 6,715,727

The Township's total debt decreased by \$711,673 during the fiscal year. This decrease was due to the normal debt payoffs as provided for in the fiscal year 2008 budget and also the final allocation of the Township's share of the Muskegon County Water Supply System – Number One Bonds, Series II resulted in a reduction of future debt service of \$313,344.

Additional information on the Township's long-term debt can be found in Note I of the "Notes to Financial Statements" of this report.

### General Economic Overview

The Township's General Fund has two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 74% of the General Fund revenue sources. In fiscal 2008/2009, state revenue sharing is expected to remain flat. Property tax revenues are expected to increase between 2% and 3%.

The Township's General Fund expenditures for operations are expected to remain flat as the Township attempts to control costs in a weak economy. The budget for race track expenditures and the related break revenues has been reduced significantly as the race track has closed. The General Fund has not budgeted any significant funds for capital improvements in the General Fund this year. The Township has budgeted a transfer of approximately \$960,000 to the Public Safety Fund to supplement operations and purchase a new police cruiser. The Township has also budgeted a transfer of approximately \$140,000 to the Recreation Fund to supplement operations and construct a new restroom at Farr Park. The construction of the restroom at Farr Park is also being supplemented by a \$65,000 loan from the General Fund.

The Township continues to expand water and sewer service to new areas of the Township as funds are available. Both the Water and Sewer funds are expected to continue to grow as new users hook up to the Township system.

The Township continues to pursue grants to enhance its infrastructure. It is attempting to secure funds through the State of Michigan to improve the I-96 and Sternberg corridor. Currently the Township is awaiting federal approval that would make these funds available. The Township is also working toward obtaining funding that would enable it to connect the Macatawa bike path to the Spring Lake bike path. The Township is also pursuing other capital grants as they become available.

### **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Fruitport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Fruitport, 6543 Airline Road, Fruitport, Michigan, 49415, (231) 865-3151.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

August 8, 2008

Township Board  
Charter Township of Fruitport  
Fruitport, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fruitport, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Fruitport, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Fruitport, Michigan, as of March 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - x and 30 - 31 are not a required part of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Fruitport, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Charter Township of Fruitport  
**STATEMENT OF NET ASSETS**  
March 31, 2008

ASSETS

	Governmental activities	Business-type activities	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 1,004,374	\$ 5,593,101	\$ 6,597,475
Receivables	157,033	470,469	627,502
Due from other governmental units	122,579	69,101	191,680
Internal balances	1,394	(1,394)	-
Inventories	-	10,000	10,000
Prepaid items	75,954	20,847	96,801
Total current assets	1,361,334	6,162,124	7,523,458
<b>NONCURRENT ASSETS</b>			
Restricted assets	-	402,346	402,346
Capital assets, net			
Nondepreciable	678,669	761,442	1,440,111
Depreciable	1,019,613	14,217,223	15,236,836
Bond issuance costs, net	-	20,949	20,949
Special assessments receivable	87,051	2,039,517	2,126,568
Total noncurrent assets	1,785,333	17,441,477	19,226,810
Total assets	3,146,667	23,603,601	26,750,268
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and accrued liabilities	73,759	282,745	356,504
Due to other governmental units	114,137	22,332	136,469
Bonds and other obligations due within one year	138,000	357,000	495,000
Total current liabilities	325,896	662,077	987,973
<b>NONCURRENT LIABILITIES</b>			
Bonds and other obligations, less amounts due within one year	591,209	4,917,845	5,509,054
Total liabilities	917,105	5,579,922	6,497,027
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,124,270	9,777,034	10,901,304
Restricted for:			
Street lights	353,860	-	353,860
Racetrack projects	86,740	-	86,740
Debt service	-	296,846	296,846
Unrestricted	664,692	7,949,799	8,614,491
Total net assets	\$ 2,229,562	\$ 18,023,679	\$ 20,253,241

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2008

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Capital grants and contributions	Governmental activities	Business-type activities	Total
Governmental activities						
General government	\$ 676,794	\$ 153,542	\$ -	\$ (523,252)	\$ -	\$ (523,252)
Public safety	2,022,866	106,235	2,756	(1,913,875)	-	(1,913,875)
Public works	364,246	136,390	-	(227,856)	-	(227,856)
Community and economic development	14,414	16,132	-	1,718	-	1,718
Culture and recreation	160,181	44,191	-	(115,990)	-	(115,990)
Interest on long-term debt	46,152	-	-	(46,152)	-	(46,152)
Total governmental activities	3,284,653	456,490	2,756	(2,825,407)	-	(2,825,407)
Business-type activities						
Sewer	602,527	230,836	108,123	-	(263,568)	(263,568)
Water	1,533,825	1,342,119	281,157	-	89,451	89,451
Total business-type activities	2,136,352	1,572,955	389,280	-	(174,117)	(174,117)
Total government	\$ 5,421,005	\$ 2,029,445	\$ 392,036	(2,825,407)	(174,117)	(2,999,524)
General revenues						
Property taxes, levied for						
General purposes				627,319	-	627,319
Specific purposes				1,236,165	-	1,236,165
Franchise fees				106,281	-	106,281
Grants and contributions not restricted to specific programs				790,342	-	790,342
Unrestricted investment earnings				54,006	413,775	467,781
Miscellaneous				27,217	-	27,217
Total general revenues				2,841,330	413,775	3,255,105
Change in net assets				15,923	239,658	255,581
Net assets at April 1, 2007, as restated				2,213,639	17,784,021	19,997,660
Net assets at March 31, 2008				\$ 2,229,562	\$ 18,023,679	\$ 20,253,241

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**BALANCE SHEET**  
Governmental Funds  
March 31, 2008

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
<b>ASSETS</b>				
Cash and investments	\$ 570,828	\$ -	\$ 433,546	\$ 1,004,374
Receivables				
Property taxes	45,499	69,934	10,014	125,447
Special assessments	1,384	-	117,253	118,637
Due from other governmental units	122,579	-	-	122,579
Due from other funds	62,045	-	-	62,045
Prepaid items	23,712	48,465	3,777	75,954
Total assets	<u>\$ 826,047</u>	<u>\$ 118,399</u>	<u>\$ 564,590</u>	<u>\$ 1,509,036</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 11,293	\$ 11,293
Accrued liabilities	26,835	25,331	-	52,166
Due to other governmental units	1,998	-	112,139	114,137
Due to other funds	-	60,217	434	60,651
Deferred revenue	558	-	86,493	87,051
Total liabilities	29,391	85,548	210,359	325,298
Fund balances				
Reserved for:				
Prepaid items	23,712	-	-	23,712
Capital projects	-	-	371	371
Racetrack projects	86,740	-	-	86,740
Unreserved				
Undesignated, reported in				
General Fund	686,204	-	-	686,204
Special revenue funds	-	32,851	353,860	386,711
Total fund balances	<u>796,656</u>	<u>32,851</u>	<u>354,231</u>	<u>1,183,738</u>
Total liabilities and fund balances	<u>\$ 826,047</u>	<u>\$ 118,399</u>	<u>\$ 564,590</u>	<u>\$ 1,509,036</u>

The accompanying notes are an integral part of this statement.



Charter Township of Fruitport  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS**  
 March 31, 2008

Total fund balance—governmental funds		\$ 1,183,738
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Amounts reported for governmental activities in the Statement of Net Assets  
 are different because:

Capital assets used in governmental activities are not financial resources and  
 are not reported in the governmental funds.

Cost of capital assets	\$ 2,782,700	
Accumulated depreciation	<u>(1,084,418)</u>	1,698,282

Accrued interest in governmental activities is not reported in the governmental funds.	(10,300)
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Special assessment revenue is not recognized until it is receivable in the current period and therefore is shown as deferred revenue in the governmental funds.	87,051
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Long-term liabilities in governmental activities are not due and payable in the  
 current period and are not reported in the governmental funds.

Bonds and contracts payable	(574,012)	
Compensated absences	<u>(155,197)</u>	<u>(729,209)</u>

Net assets of governmental activities in the Statement of Net Assets	\$ <u><u>2,229,562</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Governmental Funds  
For the year ended March 31, 2008

	General Fund	Public Safety Fund	Other governmental funds	Total governmental funds
<b>REVENUES</b>				
Property taxes	\$ 627,319	\$ 1,083,253	\$ 152,912	\$ 1,863,484
Licenses and permits	129,959	-	-	129,959
Intergovernmental revenues - State	790,342	2,756	-	793,098
Charges for services	236,586	-	-	236,586
Fines and forfeitures	13,072	-	-	13,072
Investment earnings	38,775	-	15,231	54,006
Other	67,118	7,445	53,991	128,554
Total revenues	1,903,171	1,093,454	222,134	3,218,759
<b>EXPENDITURES</b>				
Current				
General government	655,773	-	-	655,773
Public safety	-	1,949,573	-	1,949,573
Public works	54,910	-	284,353	339,263
Community and economic development	14,414	-	-	14,414
Culture and recreation	41,441	-	103,335	144,776
Other governmental functions	17,762	-	-	17,762
Debt service				
Principal	8,894	48,836	-	57,730
Interest and fees	13,506	33,246	-	46,752
Capital outlay	289,792	45,673	-	335,465
Total expenditures	1,096,492	2,077,328	387,688	3,561,508
Excess of revenues over (under) expenditures	806,679	(983,874)	(165,554)	(342,749)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	934,266	103,090	1,037,356
Transfers out	(1,037,356)	-	-	(1,037,356)
Total other financing sources (uses)	(1,037,356)	934,266	103,090	-
Net change in fund balances	(230,677)	(49,608)	(62,464)	(342,749)
Fund balances at April 1, 2007	1,027,333	82,459	416,695	1,526,487
Fund balances at March 31, 2008	\$ 796,656	\$ 32,851	\$ 354,231	\$ 1,183,738

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$ (342,749)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (109,533)	
Capital outlay	<u>335,465</u>	225,932

Governmental funds report the entire proceeds from the sale of capital assets as revenue, but the Statement of Activities reports only the gain or loss on the sale of capital assets.	(2,600)
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Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	57,730
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Interest expense on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.	600
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.	(4,808)
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Governmental funds recognize special assessments as revenue as they become current, however, they are recognized in full when levied in the Statement of Net Assets.	<u>81,818</u>
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Change in net assets of governmental activities	<u><u>\$ 15,923</u></u>
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The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF NET ASSETS**  
Proprietary Funds  
March 31, 2008

ASSETS

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
<b>CURRENT ASSETS</b>			
Cash and investments	\$ 2,113,010	\$ 3,480,091	\$ 5,593,101
Receivables			
Accounts	31,825	212,031	243,856
Special assessments	129,491	97,122	226,613
Due from other governmental units	48,541	20,560	69,101
Inventories	-	10,000	10,000
Prepaid items	2,306	18,541	20,847
Total current assets	2,325,173	3,838,345	6,163,518
<b>NONCURRENT ASSETS</b>			
Restricted assets	331,418	70,928	402,346
Capital assets			
Utility systems	5,731,331	12,433,201	18,164,532
Machinery	34,038	191,386	225,424
Vehicles	16,765	16,746	33,511
Construction in progress	192,046	569,396	761,442
Less accumulated depreciation	(971,286)	(3,234,958)	(4,206,244)
Net capital assets	5,002,894	9,975,771	14,978,665
Advances to other funds	-	342,764	342,764
Bond issuance costs, net	20,949	-	20,949
Special assessments receivable	1,165,417	874,100	2,039,517
Total noncurrent assets	6,520,678	11,263,563	17,784,241
Total assets	8,845,851	15,101,908	23,947,759
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	36,351	132,647	168,998
Accrued liabilities	55,763	57,984	113,747
Due to other governmental units	5,376	16,956	22,332
Due to other funds	339	1,055	1,394
Bonds and other obligations, due within one year	198,000	159,000	357,000
Total current liabilities	295,829	367,642	663,471
<b>NONCURRENT LIABILITIES</b>			
Advances from other funds	342,764	-	342,764
Bonds and other obligations, less amounts due within one year	2,897,939	2,019,906	4,917,845
Total noncurrent liabilities	3,240,703	2,019,906	5,260,609
Total liabilities	3,536,532	2,387,548	5,924,080
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,940,198	7,836,836	9,777,034
Restricted for debt service	277,718	19,128	296,846
Unrestricted	3,091,403	4,858,396	7,949,799
Total net assets	\$ 5,309,319	\$ 12,714,360	\$ 18,023,679

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
Proprietary Funds  
For the year ended March 31, 2008

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
REVENUES			
Charges for services	\$ 230,836	\$ 1,342,119	\$ 1,572,955
OPERATING EXPENSES			
Administration	21,693	65,481	87,174
Operations	267,912	1,073,573	1,341,485
Depreciation and amortization	134,865	267,424	402,289
Total operating expenses	424,470	1,406,478	1,830,948
Operating loss	(193,634)	(64,359)	(257,993)
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	184,768	229,007	413,775
Connection fees	108,123	281,157	389,280
Interest expense	(178,057)	(127,347)	(305,404)
Total nonoperating revenues (expenses)	114,834	382,817	497,651
Change in net assets	(78,800)	318,458	239,658
Net assets at April 1, 2007, as restated	5,388,119	12,395,902	17,784,021
Net assets at March 31, 2008	\$ 5,309,319	\$ 12,714,360	\$ 18,023,679

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF CASH FLOWS**  
Proprietary Funds  
For the year ended March 31, 2008

	Business-type Activities - Enterprise funds		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 257,819	\$ 1,318,860	\$ 1,576,679
Receipts from interfund services provided	-	3,517	3,517
Payments to suppliers	(119,103)	(641,904)	(761,007)
Payments to employees	(149,823)	(459,627)	(609,450)
Payments for interfund services used	(31,648)	(92,933)	(124,581)
Net cash provided by (used for) operating activities	(42,755)	127,913	85,158
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Connection fees	407,938	499,059	906,997
Advances from other funds (net)	(16,266)	16,266	-
Purchases of capital assets	(158,609)	(447,590)	(606,199)
Principal paid on capital debt	(194,022)	(137,864)	(331,886)
Interest paid on capital debt	(179,023)	(128,003)	(307,026)
Other receipts - return of prior period debt payments	-	223,973	223,973
Net cash provided by (used for) capital and related financing activities	(139,982)	25,841	(114,141)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment earnings	184,768	229,007	413,775
Net increase in cash and investments	2,031	382,761	384,792
Cash and investments at April 1, 2007	2,442,397	3,168,258	5,610,655
Cash and investments at March 31, 2008	<u>\$ 2,444,428</u>	<u>\$ 3,551,019</u>	<u>\$ 5,995,447</u>
<b>Reconciliation of cash and investments to the statement of net assets</b>			
Cash and investments	\$ 2,113,010	\$ 3,480,091	\$ 5,593,101
Restricted assets	331,418	70,928	402,346
	<u>\$ 2,444,428</u>	<u>\$ 3,551,019</u>	<u>\$ 5,995,447</u>
<b>Reconciliation of operating loss to net cash provided by (used for) operating activities</b>			
Operating loss	\$ (193,634)	\$ (64,359)	\$ (257,993)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities			
Depreciation and amortization expense	134,865	267,424	402,289
Change in assets and liabilities			
Receivables, net	26,983	(19,742)	7,241
Internal balances	(10,918)	(32,273)	(43,191)
Prepaid items	(179)	(2,433)	(2,612)
Accounts payable	4,826	(6,758)	(1,932)
Accrued liabilities	(4,698)	(13,946)	(18,644)
Net cash provided by (used for) operating activities	<u>\$ (42,755)</u>	<u>\$ 127,913</u>	<u>\$ 85,158</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2008

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ <u>27,194</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 2,934
Due to other governmental units	<u>24,260</u>
Total liabilities	\$ <u>27,194</u>

The accompanying notes are an integral part of this statement.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Charter Township of Fruitport (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a municipal corporation governed by an elected seven-member Board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued***

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Safety Fund is used to account for a special tax millage levied by the Township for the operations and capital expenditures of the police and fire departments.

The Township reports the following two major proprietary funds:

The Sewer Fund accounts for the collection system and pays for access to the county's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$441,493,000. The ad valorem taxes levied consisted of .9965, 2.455 and .4000 mills for the Township's general operating, public safety and street lighting purposes. These amounts are recognized in the respective General Fund, Public Safety Fund and Street Light Fund.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain cash and investments of the Water and Sewer funds are classified as restricted assets as they are set aside for repayment of bonds and their use is limited by applicable bond covenants.

**Capital Assets**

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated or amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Utility systems	50
Land improvements	20-30
Furniture and equipment	5-20
Vehicles	3-15
Access rights	20

**Compensated Absences**

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time during the anniversary year following the one in which it was earned. Upon termination, employees are paid for unused vacation at their current rates. Unused sick leave is accumulated up to 250 days for employees. Sick leave is paid to employees upon retirement under limits that vary by employee group. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to March 1, the Township Board proposes an operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level for the General Fund and Public Safety Fund and the fund level for all other governmental funds. The Township Board made several supplemental budgetary appropriations throughout the year.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Excess of Expenditures Over Appropriations**

During the year ended March 31, 2008, actual expenditures exceeded appropriations for:

	Amended budget	Actual
Public Safety Fund		
Police	\$ 1,032,198	\$ 1,117,524
Interest and fees	20,131	33,246

These overexpenditures were funded with available fund balance.

**NOTE C—DEPOSITS AND INVESTMENTS**

As of March 31, 2008, the Township had the following investments:

Investment Type	Fair value	Weighted average maturity (Months)	Moody's	Percent
Money market mutual funds	\$ 3,841,689	1	not rated	95.7 %
External investment pool	20,442	1	not rated	0.5
U.S. Agency obligations	152,062	62	AAA	3.8
Total fair value	\$ 4,014,193			100.0 %
Portfolio weighted average maturity		3		

The Township voluntarily invests certain excess funds in an external investment pool (Pool). The Pool is an external investment pool of “qualified” investments for Michigan municipalities. The Pool is not regulated nor registered with the SEC. The fair value of the Township’s investments is the same as the fair value of the Pool.

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$2,957,120 of the Township's bank balance of \$3,157,120 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**Restricted Assets**

Restrictions are placed on assets by bond ordinance and Township Board action. At March 31, 2008, restricted cash and investments in the Township are restricted as follows:

**Business-type activities**

Sewer Fund	
Debt	\$ 331,418
Water Fund	
Debt	<u>70,928</u>
	<u>\$ 402,346</u>

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 678,669	\$ -	\$ -	\$ 678,669
<b>Capital assets, being depreciated:</b>				
Land improvements	20,173	-	-	20,173
Buildings and improvements	678,900	289,792	-	968,692
Furniture and equipment	130,486	-	-	130,486
Vehicles	<u>952,007</u>	<u>45,673</u>	<u>13,000</u>	<u>984,680</u>
Total capital assets, being depreciated	1,781,566	335,465	13,000	2,104,031

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE D—CAPITAL ASSETS—Continued**

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
<b>Governmental activities:—Continued</b>				
<b>Less accumulated depreciation:</b>				
Land improvements	\$ 2,398	\$ 1,009	\$ -	\$ 3,407
Buildings and improvements	341,876	16,648	-	358,524
Furniture and equipment	38,778	10,604	-	49,382
Vehicles	602,233	81,272	10,400	673,105
Total accumulated depreciation	985,285	109,533	10,400	1,084,418
Total capital assets, being depreciated, net	796,281	225,932	2,600	1,019,613
Capital assets, net	\$ 1,474,950	\$ 225,932	\$ 2,600	\$ 1,698,282
<b>Business-type activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Construction in progress	\$ 551,597	\$ 732,648	\$ 522,803	\$ 761,442
<b>Capital assets, being depreciated:</b>				
Utility systems	18,052,183	513,961	401,612	18,164,532
Machinery	174,033	51,391	-	225,424
Vehicles	33,511	-	-	33,511
Total capital assets, being depreciated	18,259,727	565,352	401,612	18,423,467
<b>Less accumulated depreciation:</b>				
Utility systems	3,698,861	364,143	32,129	4,030,875
Machinery	141,559	15,379	-	156,938
Vehicles	11,729	6,702	-	18,431
Total accumulated depreciation	3,852,149	386,224	32,129	4,206,244
Total capital assets, being depreciated, net	14,407,578	179,128	369,483	14,217,223
Capital assets, net	\$ 14,959,175	\$ 911,776	\$ 892,286	\$ 14,978,665

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE D—CAPITAL ASSETS—Continued**

**Depreciation**

Depreciation expense has been charged to functions as follows:

**Governmental activities:**

General government	\$ 3,260
Public safety	68,485
Public works	24,983
Culture and recreation	<u>12,805</u>
	<u>\$ 109,533</u>

**Business-type activities:**

Water	\$ 267,424
Sewer	<u>118,800</u>
	<u>\$ 386,224</u>

**NOTE E—ACCESS RIGHTS**

Access rights activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Business-type activities				
Access rights	\$ 203,249	\$ -	\$ -	\$ 203,249
Less accumulated amortization	<u>188,929</u>	<u>14,320</u>	<u>-</u>	<u>203,249</u>
Access rights, net	<u>\$ 14,320</u>	<u>\$ (14,320)</u>	<u>\$ -</u>	<u>\$ -</u>

**Amortization**

Amortization expense has been charged to sewer.



Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Business-type activities				
Bond issuance costs	\$ 34,914	\$ -	\$ -	\$ 34,914
Less accumulated amortization	<u>12,219</u>	<u>1,746</u>	<u>-</u>	<u>13,965</u>
Bond issuance costs, net	<u>\$ 22,695</u>	<u>\$ (1,746)</u>	<u>\$ -</u>	<u>\$ 20,949</u>

**Amortization**

Amortization expense has been charged to interest.

**NOTE G—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The composition of interfund balances as of March 31, 2008 is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Public Safety Fund	\$ 60,217
General Fund	Sewer Fund	339
General Fund	Water Fund	1,055
General Fund	Recreation Fund	<u>434</u>
		<u>\$ 62,045</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Advances to/from other funds:**

The Water Fund has advanced \$342,764 to the Sewer Fund to fund capital improvements.

**Interfund transfers:**

	<u>Transfers in:</u>			
	Public Safety	Other governmental funds	Total	<u>Purpose</u>
Transfers out:				
General Fund	<u>\$ 934,266</u>	<u>\$ 103,090</u>	<u>\$ 1,037,356</u>	Operations subsidy

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE H—DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the governmental funds reported \$87,051 in deferred revenue which was comprised of unavailable special assessments.

**NOTE I—LONG-TERM DEBT**

**Summary of Changes in Long-Term Liabilities**

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2008.

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
<b>Governmental activities:</b>					
Installment purchase agreements	\$ 181,526	\$ -	\$ 40,525	\$ 141,001	\$ 42,000
Land contract agreements	450,216	-	17,205	433,011	18,000
Compensated absences	<u>150,389</u>	<u>100,741</u>	<u>95,933</u>	<u>155,197</u>	<u>78,000</u>
Governmental activity long-term liabilities	<u>\$ 782,131</u>	<u>\$ 100,741</u>	<u>\$ 153,663</u>	<u>\$ 729,209</u>	<u>\$ 138,000</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 4,816,331	\$ -	\$ 530,252	\$ 4,286,079	\$ 230,000
Special assessment debt	1,065,000	-	110,000	955,000	110,000
Compensated absences	<u>52,265</u>	<u>37,676</u>	<u>56,175</u>	<u>33,766</u>	<u>17,000</u>
Business-type activity long-term liabilities	<u>\$ 5,933,596</u>	<u>\$ 37,676</u>	<u>\$ 696,427</u>	<u>\$ 5,274,845</u>	<u>\$ 357,000</u>

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Governmental activities:**

**Installment purchase agreements:**

\$175,000 Fire Station Contract due in semi-annual  
installments of \$5,833 through December 2008;  
plus interest at 5.7% \$ 11,667

\$386,961 Fire Truck contract due in annual installments  
of \$28,859 to \$34,546 through April 2011; plus interest  
at 4.6% 129,334

**Land contract agreements:**

\$76,000 Land Contract due in quarterly installments  
of \$1,850 including interest at 7.5% through  
October 2018 54,764

\$206,800 Land Contract due in quarterly installments  
of \$5,000 including interest at 7.5% through  
January 2019 150,610

\$250,000 Land Contract due in quarterly installments  
of \$3,750 including interest at 4% through  
September 2031 227,637

574,012

Compensated absences 155,197

\$ 729,209

**Business-type activities:**

**General obligation bonds:**

\$82,958 Muskegon County Wastewater Management  
System - Number One Refunding Bond Issue of  
2002; final payment of \$20,440 due July 2008;  
interest at 5% \$ 20,440

\$2,680,000 Muskegon County Wastewater Management  
System - Number One 1999 Series due in annual  
installments of \$100,000 to \$250,000 through May  
2020; interest rates varying from 4.7% to 5.125% 2,330,000

Less bond discount (14,830)

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

**Business-type activities:**

**General obligation bonds:**

\$2,523,388 - Muskegon County Water Supply System - Number One Bonds, Series II due in annual installments of \$106,623 to \$213,247 through May 2020; interest rates varying from 4.75% to 6.75%	\$ 1,970,406
Less bond discount	(19,937)

**Special assessment debt:**

\$750,000 1994 Special Assessment Bonds due in annual installments of \$45,000 to \$70,000 through October 2013; interest at 8%	355,000
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\$330,000 1995 Special Assessment Bonds due in annual installments of \$15,000 to \$25,000 through October 2009; interest at 5.5%	40,000
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\$585,640 2000 Special Assessment Sewer Bonds due in annual installments of \$28,395 to \$31,944 through January 2021; interest rates varying from 4.75% to 5%	397,532
---	---------

\$239,360 2000 Special Assessment Water Bonds due in annual installments of \$11,605 to \$13,060 through January 2021; interest rates varying from 4.75% to 5%	162,468
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	5,241,079
Compensated absences	33,766
	\$ 5,274,845

The special assessment bonds are backed by the full faith and credit of the Township.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE I—LONG-TERM DEBT—Continued**

**Summary of Changes in Long-Term Liabilities—Continued**

In 2005, the County of Muskegon began making improvements to the regional sewer treatment facilities. The project was funded with \$17,500,000 bonds issued through the State of Michigan Clean Water Revolving Fund Loan Program. The County operates the system and makes payments on the bonds with user charges to the local units. The Township has pledged its limited tax full faith and credit for the payment of its portion of the debt should user charges collected by the County be insufficient to make the debt payments. The Township's portion of the debt on March 31, 2008 was \$171,623. The Township is unaware of any circumstances that would cause a shortfall in the near future.

The \$2,523,388 Muskegon County Water Supply System Number One Series II bond issue is a joint debt agreement entered into by the Township and the City of Norton Shores. Under the agreement, the County issued debt and constructed a water supply system for the benefit of both governmental units. The County owns and maintains the system and upon full payment by either local unit of its allocated portion of the debt, the County may convey full ownership of the respective portions of the system to the local unit. Each local unit's share of the debt is based on user charges and the state's equalized valuation on real property.

The County of Muskegon wastewater contracts payable represent agreements with Muskegon County relating to the construction of sewage treatment facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by sewer revenues.

The Township was in compliance in all material respects with all the revenue bond ordinances at March 31, 2008.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2008 follows:

Year ending March 31,	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2009	\$ 60,000	\$ 30,528	\$ 340,000	\$ 272,830
2010	51,000	27,445	317,000	251,044
2011	54,000	24,714	352,000	230,747
2012	57,000	21,827	366,000	210,447
2013	24,000	18,745	396,000	189,973
2013-2017	144,000	68,041	2,059,000	621,504
2018-2022	77,000	28,130	1,445,846	114,306
2023-2027	59,000	16,052	-	-
2028-2032	48,012	3,672	-	-
	<u>\$ 574,012</u>	<u>\$ 239,154</u>	<u>\$ 5,275,846</u>	<u>\$ 1,890,851</u>

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE J—DESIGNATED NET ASSETS**

Unrestricted net assets designated for specific purposes as of March 31, 2008 were as follows:

Sewer Fund	
Designated for repayment of debt	\$ <u>2,227,262</u>

**NOTE K—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Related Party Transactions**

In prior years, the government purchased two pieces of land using land contracts. The seller of the land is a close relative to a board member. The balance of the two land contracts at March 31, 2008 are \$205,374. During the year ended March 31, 2008, the Township paid principal and interest of \$27,400 on the land contracts.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE K—OTHER INFORMATION—Continued**

**Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**Post-Retirement Health Care**

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were no retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended March 31, 2008, the Township did not have any post-retirement health care cost under the Plan.

**Commitments**

At March 31, 2008, the Township had entered into various agreements for construction projects. Below is a summary of those agreements.

<u>Fund</u>	<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water	Water system expansion	\$ 557,220	\$ 782,845
Sewer	Sewer system expansion	192,046	610,637

**NOTE L—RETIREMENT PLAN**

**Defined Contribution Pension Plan**

The Township maintains a defined contribution retirement plan administered by Harford Financial Services Group, Inc. that covers substantially all full-time employees. The Township contributes 10 percent of each eligible employee's salary to the plan. Township employees contribute nothing to the plan. The Township's contribution for the year ended March 31, 2008 was \$169,139.

**NOTE M—ECONOMIC DEPENDENCY**

State of Michigan shared revenues represent 41 percent of General Fund revenues.

Charter Township of Fruitport  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2008

**NOTE N—PRIOR PERIOD ADJUSTMENT**

Business-type net assets and Water Fund net assets were restated due to the effect of the change in the final allocation between the Township and the City of Norton Shores of the \$2,523,388 Muskegon County Water Supply System Number One Series II bond issue. As a result of the change, a portion of the interest paid by the Township on this obligation in prior periods was refunded.

	<u>Business-type activities</u>	<u>Water Fund</u>
Net assets at April 1, 2007	\$ 17,616,188	\$ 12,228,069
Change in prior period debt allocation	<u>167,833</u>	<u>167,833</u>
Net assets at April 1, 2007, restated	<u>\$ 17,784,021</u>	<u>\$ 12,395,902</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Fruitport  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 594,858	\$ 594,858	\$ 627,319	\$ 32,461
Licenses and permits	109,500	109,500	129,959	20,459
Intergovernmental revenues - State	799,720	799,720	790,342	(9,378)
Charges for services	240,782	240,782	236,586	(4,196)
Fines and forfeitures	9,150	9,150	13,072	3,922
Investment earnings	42,220	42,220	38,775	(3,445)
Other	84,785	88,285	67,118	(21,167)
Total revenues	1,881,015	1,884,515	1,903,171	18,656
EXPENDITURES				
Current				
General government				
Township board	61,300	61,300	49,121	12,179
Supervisor	102,269	102,270	101,337	933
Elections	13,050	16,423	18,788	(2,365)
Assessing	143,349	144,190	144,345	(155)
Clerk	58,947	58,980	57,284	1,696
Treasurer	129,793	129,955	116,342	13,613
General office	67,320	67,413	64,128	3,285
Board of review	3,000	3,000	3,291	(291)
Building and grounds	47,910	46,824	48,674	(1,850)
Cemetery	55,230	61,229	52,463	8,766
Public works				
Roads	42,300	42,300	30,231	12,069
Bike path	66,700	66,700	24,679	42,021
Community and economic development				
Planning	18,580	18,580	11,428	7,152
Zoning	5,600	5,600	2,986	2,614
Culture and recreation				
Racetrack	54,000	53,999	41,441	12,558
Library	1,000	1,000	-	1,000
Other governmental functions	27,000	27,000	17,762	9,238
Debt service				
Principal	12,544	8,954	8,894	60
Interest and fees	9,857	14,533	13,506	1,027
Capital outlay	322,000	292,000	289,792	2,208
Total expenditures	1,241,749	1,222,250	1,096,492	125,758
Excess of revenues over (under) expenditures	639,266	662,265	806,679	144,414
OTHER FINANCING USES				
Transfers out	(1,031,266)	(1,054,266)	(1,037,356)	16,910
Net change in fund balance	\$ (392,000)	\$ (392,001)	(230,677)	\$ 161,324
Fund balance at April 1, 2007			1,027,333	
Fund balance at March 31, 2008			\$ 796,656	

Charter Township of Fruitport  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Public Safety Fund  
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,064,132	\$ 1,064,132	\$ 1,083,253	\$ 19,121
Intergovernmental revenues - State	-	-	2,756	2,756
Other	23,000	7,445	7,445	-
Total revenues	1,087,132	1,071,577	1,093,454	21,877
EXPENDITURES				
Current				
Public safety				
Police	987,887	990,631	1,095,795	(105,164)
Fire	873,593	876,815	853,778	23,037
Debt service				
Principal	50,626	49,298	48,836	462
Interest and fees	18,225	20,131	33,246	(13,115)
Capital outlay				
Police	41,567	41,567	21,729	19,838
Fire	26,500	27,400	23,944	3,456
Total expenditures	1,998,398	2,005,842	2,077,328	(71,486)
Excess of revenues over (under) expenditures	(911,266)	(934,265)	(983,874)	(49,609)
OTHER FINANCING SOURCES				
Transfers in	911,266	934,266	934,266	-
Net change in fund balance	\$ -	\$ 1	(49,608)	\$ (49,609)
Fund balance at April 1, 2007			82,459	
Fund balance at March 31, 2008			\$ 32,851	

## **OTHER SUPPLEMENTAL INFORMATION**

Charter Township of Fruitport  
**COMBINING BALANCE SHEET**

Other Governmental Funds

March 31, 2008

	Total other governmental funds	Special Revenue		Capital Projects Revolving Road
		Recreation	Street Light	
<b>ASSETS</b>				
Cash and investments	\$ 433,546	\$ 2,472	\$ 355,139	\$ 75,935
Receivables				
Property taxes	10,014	-	10,014	-
Special assessments	117,253	-	-	117,253
Prepaid items	3,777	3,777	-	-
Total assets	<u>\$ 564,590</u>	<u>\$ 6,249</u>	<u>\$ 365,153</u>	<u>\$ 193,188</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 11,293	\$ -	\$ 11,293	\$ -
Due to other funds	434	434	-	-
Due to other governmental units	112,139	5,815	-	106,324
Deferred revenue	86,493	-	-	86,493
Total liabilities	210,359	6,249	11,293	192,817
 Fund balances				
Reserved for capital projects	371	-	-	371
Unreserved	353,860	-	353,860	-
Total fund balances	354,231	-	353,860	371
Total liabilities and fund balances	<u>\$ 564,590</u>	<u>\$ 6,249</u>	<u>\$ 365,153</u>	<u>\$ 193,188</u>

Charter Township of Fruitport  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
 Other Governmental Funds  
 For the year ended March 31, 2008

	Total other governmental funds	Special Revenue		Capital Projects Revolving Road
		Recreation	Street Light	
REVENUES				
Property taxes	\$ 152,912	\$ -	\$ 152,912	\$ -
Investment earnings	15,231	-	13,990	1,241
Other	53,991	245	-	53,746
Total revenues	222,134	245	166,902	54,987
EXPENDITURES				
Current				
Public works	284,353	-	134,357	149,996
Culture and recreation	103,335	103,335	-	-
Total expenditures	387,688	103,335	134,357	149,996
Excess of revenues over (under) expenditures	(165,554)	(103,090)	32,545	(95,009)
OTHER FINANCING SOURCES				
Transfers in	103,090	103,090	-	-
Net change in fund balances	(62,464)	-	32,545	(95,009)
Fund balances at April 1, 2007	416,695	-	321,315	95,380
Fund balances at March 31, 2008	\$ 354,231	\$ -	\$ 353,860	\$ 371

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 8, 2008

Township Board  
Charter Township of Fruitport  
Fruitport, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Charter Township of Fruitport as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Fruitport's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the attached deficiencies to be significant deficiencies in internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe the attached deficiencies, identified as material weaknesses, constitute material weaknesses.

This communication is intended solely for the information and use of the Township Board, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



## **MATERIAL WEAKNESSES**

Recommendation 1: Cut-off procedures for the accounts payable function should be improved to ensure inclusion of all expenditures in the proper period.

During our audit, we noted several invoices for services performed prior to year end that were not recorded as accounts payable. We also noted that the Township is not making full use of its general ledger software which would enable it to track accounts payable in a more effective manner. The accuracy of interim financial statements could be affected if amounts are not recorded in the proper period.

The improvement of cut-off procedures for accounts payable would ensure that expenditures are recorded in the proper period. The Township's general ledger software should be able to assist the Township with recording accounts payable throughout the year and at year end.

Recommendation 2: General ledger account balances should be regularly analyzed for their accuracy in relation to supporting documentation.

During our audit, we noted various account balances that were not analyzed for unusual balances during the year. This resulted in a large number of adjustments at year end. Since some of the adjustments were individually significant to the affected funds and their accounts, the adjustments could have significantly affected the interim financial statements.

The timely review and analysis of all general ledger account balances throughout the year and the regular reconciliation of significant account balances to supporting schedules would improve the accuracy of interim financial statements.